

State of California

**General
Fund
Cash Basis
Report**

**For the Year Ended
June 30, 2006**

Steve Westly
California State Controller



STEVE WESTLY

California State Controller

August 3, 2006

**To the Citizens, Governor, and Members
of the Legislature of the State of California:**

I am pleased to submit to you the *General Fund Cash Basis Report* for the fiscal year ended June 30, 2006. The General Fund ended the 2005-06 fiscal year with a total cash balance of \$10.5 billion, consisting of \$9.2 billion in the General Fund and \$1.3 billion in the General Fund's Special Fund for Economic Uncertainties. This is \$3.3 billion higher than the \$7.2 billion General Fund cash balance at the beginning of the year.

The State manages General Fund cash shortages through a combination of internal and external borrowing. The State issued \$3.0 billion in Revenue Anticipation Notes (RANs) on November 10, 2005, to meet cash flow needs during the 2005-06 fiscal year. The RANs were repaid with interest on June 30, 2006.

This report is published to provide authoritative information, using the cash basis of accounting, concerning the financial status of the General Fund as close to the end of the fiscal year as possible. This report does not, however, provide a complete picture of the State's operations or financial position. After the State Auditor completes the audit of the State's finances, I will issue the *Comprehensive Annual Financial Report*, prepared in conformity with accounting principles generally accepted in the United States of America. I will also issue the *Budgetary/Legal Basis Annual Report*, which contains an accounting of all fund activity in compliance with State law, State accounting procedures, and the State budget.

This report is available on the State Controller's homepage, www.sco.ca.gov/ard/state/, under the category "Publications - State Government Annual Financial Reports."

Sincerely,

Originally Signed by

STEVE WESTLY

Statement of Cash Receipts, Disbursements, and Balances

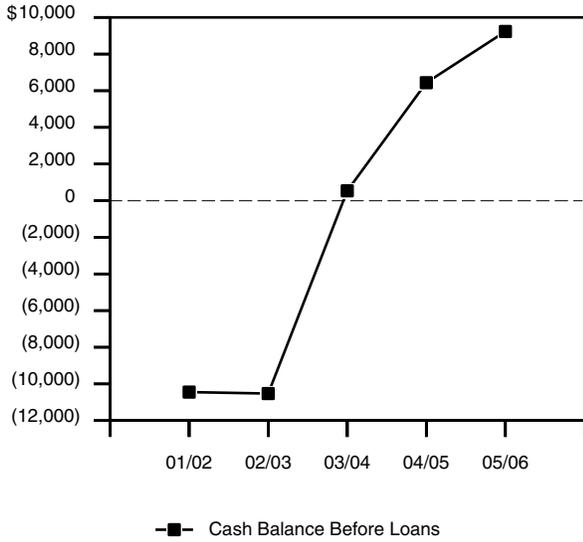
(Amounts in thousands)

	Year Ended June 30,	
	2006	2005
General Fund Beginning Cash Balance Before Loans, July 1	\$ 6,436,788	\$ 538,359
Receipts		
Revenues	93,325,544	85,447,296
Nonrevenues (Note 1)	977,023	2,489,646
Total Receipts	94,302,567	87,936,942
Disbursements		
State Operations	21,720,678	20,035,355
Local Assistance	67,401,131	61,717,948
Capital Outlay	1,450,966	84,665
Payment to Deficit Recovery Fund (Note 2)	—	2,012,000
Offset from Economic Recovery Bonds (Note 2)	—	(2,012,000)
Nongovernmental (Note 1)	933,779	200,545
Total Disbursements	91,506,554	82,038,513
Receipts Over Disbursements	2,796,013	5,898,429
General Fund Ending Cash Balance, June 30 (Note 3)	9,232,801	6,436,788
Special Fund for Economic Uncertainties, June 30 (Note 4)	1,295,007	744,541
Total Cash, June 30 (Note 1)	\$ 10,527,808	\$ 7,181,329
Borrowable Resources (Note 3)		
Available Resources		
From Special Fund for Economic Uncertainties	\$ 1,295,007	\$ 744,541
From Special Funds and Accounts	10,413,858	9,260,801
Total Available Resources	\$ 11,708,865	\$ 10,005,342

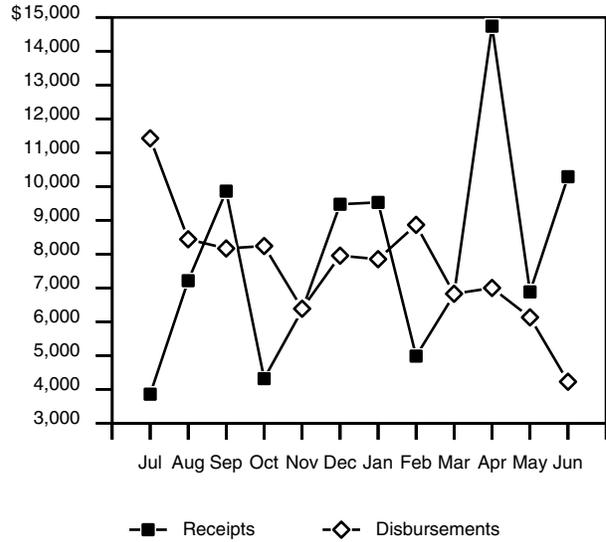
Charts of Cash Receipts, Disbursements, and Balances

(Amounts in millions)

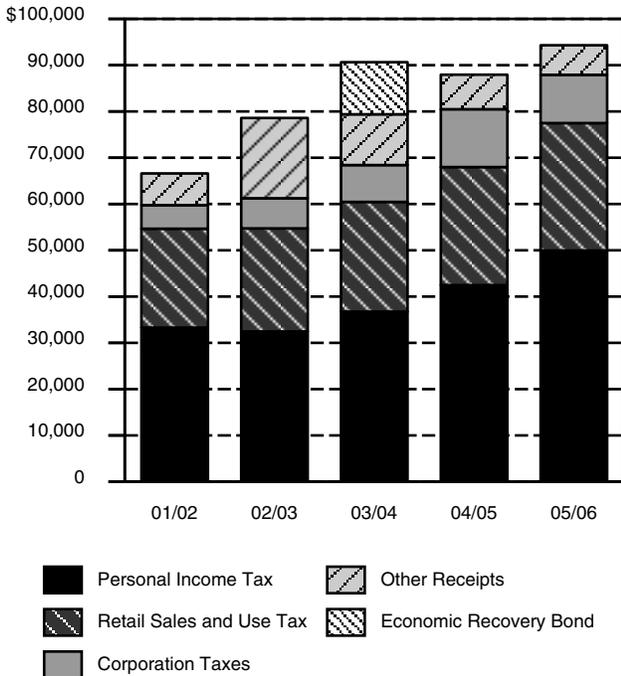
Ending Cash Balances Before Loans Last Five Fiscal Years



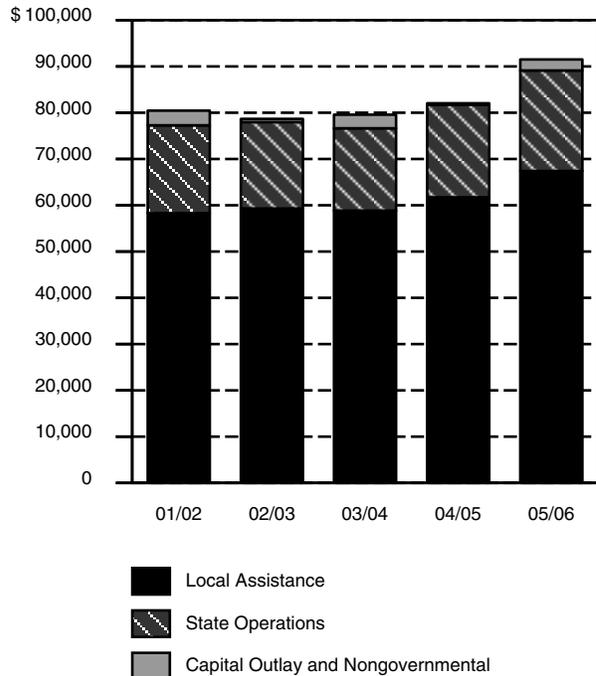
Monthly Cash Receipts and Disbursements Fiscal Year Ended June 30, 2006



Cash Receipts Last Five Fiscal Years



Cash Disbursements Last Five Fiscal Years



Schedule of Cash Receipts

(Amounts in thousands)

	Year Ended June 30,	
	2006	2005
RECEIPTS		
REVENUES		
Major Taxes and Licenses		
Personal Income Tax	\$ 49,946,731	\$ 42,476,251
Retail Sales and Use Taxes	27,537,859	25,506,531
Corporation (Income) Taxes	10,436,025	12,496,503
Insurance Gross Premiums Tax	2,212,739	2,228,317
Tobacco Securitization Bond Refinancing (Note 5)	525,000	—
Excise Tax on Distilled Spirits	160,784	155,999
Excise Tax on Beer and Wine	157,734	156,672
Estate, Inheritance, and Gift Tax	124,849	452,679
Cigarette Tax	113,256	122,206
Total Major Taxes and Licenses	91,214,977	83,595,158
Minor Revenues		
Pooled Money Investment Income	380,111	167,339
Abandoned Property	334,335	707,306
Receipts for Child Support Services	287,818	287,281
State Lands Royalties	270,567	185,447
Trial Court Revenues	59,860	56,556
Health Care Deposit Fund Receipts	15,179	8,968
Private Rail Car Tax	6,948	6,577
Liquor License Fees	4,672	3,404
Horse Racing (Parimutuel) License Fees	2,391	2,605
Miscellaneous	748,686	426,655
Total Minor Revenues	2,110,567	1,852,138
Total Revenues	93,325,544	85,447,296
NONREVENUES		
Transfers from Special Fund for Economic Uncertainties.....	—	1,448,000
Transfers from Other Funds	240,562	487,988
Miscellaneous	736,461	553,658
Total Nonrevenues	977,023	2,489,646
TOTAL RECEIPTS	\$ 94,302,567	\$ 87,936,942

Schedule of Cash Disbursements

(Amounts in thousands)

	Year Ended June 30,	
	2006	2005
DISBURSEMENTS		
STATE OPERATIONS		
Legislative/Judicial/Executive	\$ 1,398,060	\$ 1,298,574
Resources	790,643	761,199
State and Consumer Services	527,951	509,350
Environmental Protection	60,783	50,461
Business, Transportation, and Housing	5,517	3,386
Health and Human Services		
Mental Health Hospitals	731,931	571,258
Health Services	296,825	258,528
Other Health and Human Services	661,863	589,512
Total Health and Human Services	1,690,619	1,419,298
Corrections and Rehabilitation	7,211,404	6,364,036
Education		
University of California	2,842,562	2,670,057
State Universities and Colleges	2,599,834	2,488,257
Other Education	154,754	146,158
Total Education	5,597,150	5,304,472
Debt Service	3,130,365	3,032,522
General Government	1,226,683	1,265,848
Interest on Loans	83,056	89,360
Public Employees Retirement System	(1,553)	(63,151)
Total State Operations	21,720,678	20,035,355
LOCAL ASSISTANCE		
Judicial/Executive	1,717,214	1,556,186
Resources	64,990	(14,579)
Business, Transportation, and Housing	13,783	24,089
Environmental Protection	5	7,181
Health and Human Services		
Health Services	12,746,906	11,979,642
Social Services	8,892,163	8,397,579
Developmental Services	1,697,585	1,604,536
Mental Health Services	649,150	98,471
Other Health and Human Services	1,026,742	855,101
Total Health and Human Services	25,012,546	22,935,329

(Continued)

Schedule of Cash Disbursements

(Amounts in thousands)

	Year Ended June 30,	
	2006	2005
Corrections and Rehabilitation	\$ 293,729	\$ 214,051
Education		
K-12 Education	31,019,476	29,428,525
Community Colleges	3,342,326	3,042,733
Teachers' Retirement System	1,081,064	1,148,792
Other Education	2,709,883	2,325,743
Total Education	38,152,749	35,945,793
Tax Relief		
Homeowners Property Tax Relief	433,864	431,065
Senior Citizens Renters Assistance	144,277	144,540
Senior Citizens Property Tax Deferral and Assistance	50,442	51,523
Subventions for Open Space	33,815	40,018
Miscellaneous Tax Relief	186	188
Total Tax Relief	662,584	667,334
General Government (Note 6)	1,483,531	382,564
Total Local Assistance	67,401,131	61,717,948
CAPITAL OUTLAY (Note 7)		
Total Capital Outlay	1,450,966	84,665
Payment to Deficit Recovery Fund (Note 2)	—	2,012,000
Offset from Economic Recovery Bonds (Note 2)	—	(2,012,000)
NONGOVERNMENTAL		
Transfer to Special Fund for Economic Uncertainties	557,439	—
Transfer to Other Funds	232,993	141,938
Transfer to Revolving Fund	20,195	35,650
Advances		
Counties for Social Welfare	103,906	60,539
Social Welfare Federal Fund	19,246	(37,582)
Total Nongovernmental	933,779	200,545
TOTAL DISBURSEMENTS	\$ 91,506,554	\$ 82,038,513

(Concluded)

Notes to Statements and Schedules

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The *General Fund Cash Basis Report* is based on cash reported to and recorded in the records of the State Controller's Office. Amounts reported may differ from amounts in other reports to the extent that there are timing differences in the recording of in-transit items between agencies, the State Treasury, and the State Controller's Office. The cash basis of accounting does not reflect accruals.

The "Statement of Cash Receipts, Disbursements, and Balances" does not include cash in the Special Fund for Economic Uncertainties, in the report's balances, except for the balance titled, "Total Cash, June 30."

Nonrevenue receipts are transfers or miscellaneous receipts from other funds that do not represent revenues of the General Fund. "Transfers from Other Funds" are legally authorized movements of money into the General Fund from other funds that are responsible for the initial receipt of the money. "Miscellaneous" nonrevenue receipts include reimbursements that are not credited to a specific appropriation, and certain other receipts that are not defined as revenue.

Nongovernmental disbursements are transfers or advances to other funds that do not represent expenditures of the General Fund. "Transfers to Other Funds" are legally authorized movements of money from the General Fund, which is responsible for the initial receipt of the money, to other funds that are responsible for the actual expenditure. "Advances" include certain legally authorized loans to other funds and governmental entities and the repayments of those loans. Negative balances are the result of repayments received that are greater than disbursements made during the fiscal year.

NOTE 2: ECONOMIC RECOVERY BONDS/DEFICIT RECOVERY FUND

As a component of the issuance of the Economic Recovery Bonds (ERBs), \$2.0 billion of ERB receipts was paid to the Deficit Recovery Fund from the General Fund and then returned to the General Fund.

NOTE 3: BORROWABLE RESOURCES

Government Code sections 16310 and 16418 authorize transfers to the General Fund from other funds in the State Treasury, and Government Code section 17300 authorizes the borrowing from external sources to meet the State's short-term borrowing needs. External sources of funds to meet short-term borrowing needs are obtained by issuing Revenue Anticipation Notes (RANs), Revenue Anticipation Warrants, and Registered Warrants.

With respect to short-term external borrowing, the State issued \$3.0 billion in RANs on November 10, 2005, which were repaid on June 30, 2006. The State ended the 2004-05 and 2005-06 fiscal years with no short-term external loans.

NOTE 4: SPECIAL FUND FOR ECONOMIC UNCERTAINTIES

The Special Fund for Economic Uncertainties was created by Chapter 139, Statutes of 1985, and is funded with General Fund revenues. Commonly known as the State's "rainy day fund," it provides the moneys for necessary expenditures throughout the year that have not been anticipated or provided for in the annual budget. It also provides relief, to the amount of its available funds, for any budgeted shortfalls.

NOTE 5: TOBACCO SECURITIZATION BOND REFINANCING

On November 16, 1998, eight states, including California, and four major tobacco companies agreed to settle pending lawsuits brought by the states against the tobacco industry. The settlement agreement requires the tobacco companies to make payments to the State of California in perpetuity. During the 2005-06 fiscal year, the General Fund received \$525 million as a consequence of the refinancing of Tobacco Securitization Bonds. These bonds are secured by the future tobacco settlement payments to be received by the State.

NOTE 6: GENERAL GOVERNMENT-LOCAL ASSISTANCE

The large increase in General Government Local Assistance expenditures during the 2005-06 fiscal year is due to the General Fund fully repaying the "Vehicle License Fee Gap Loan" as required by section 10754.11 of the Revenue and Taxation Code. The 2005 Budget Act authorized the payment of the \$1.2 billion to cities and counties for income that they lost between July and October 2003, when the Vehicle License Fee offset program was temporarily suspended.

NOTE 7: CAPITAL OUTLAY

The large increase in Capital Outlay expenditures during the 2005-06 fiscal year is due to the General Fund transferring \$1.5 billion to the Transportation Investment Fund as authorized by Revenue and Taxation Code section 7104. This amount from sales and use tax collections on the sale, storage, and use of motor vehicle fuel is required to be used for transportation capital outlay purposes.